

ORIGINAL



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Attorneys for Truxton Canyon Water Company

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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE
COMMISSION ON ITS OWN MOTION
INVESTIGATING THE FAILURE OF
TRUXTON CANYON WATER
COMPANY TO COMPLY WITH
COMMISSION RULES AND
REGULATIONS.

DOCKET NO. W-02168A-10-0247

COMPANY'S STATUS REPORT

Pursuant to the Procedural Order dated September 22, 2010, Truxton Canyon Water Company ("Company"), by and through its attorney undersigned, submits its Status Report discussing any issues that have been resolved.

Although the Procedural Order seeks a joint Status Report discussing any issues that have been resolved, the Company and Staff have a fundamental disagreement as to what it means to "resolve" an issue. It is the Company's position that an issue is "resolved" when it is fixed or cleared up. For example, if a pipe springs a leak, and the Company repairs the leak, then the issue of the leaking pipe is resolved.

Arizona Corporation Commission

DOCKETED

JAN 10 2011

DOCKETED BY

[Handwritten signature]

1 On the other hand, it is Staff's position that the Company cannot "resolve" an
2 issue in this Order to Show Cause proceeding unless the Company demonstrates that the
3 issue raised by Staff never actually occurred. Using the leaking pipe example, the issue
4 can only be resolved by the Company proving that the pipe never leaked in the first
5 place.
6

7 Pursuant to the Court's order from the bench, the Company submitted to Staff a
8 list of three issues under Commission rules that had not been resolved, which include the
9 following:
10

- 11 • Arsenic exceedance (the Company has already submitted to ADEQ a blending
12 plan);
- 13 • Bacus issue (the settlement agreement has been executed); and
- 14 • Failure to get Commission approval of the Trust financing the Company.

15 See Attachment 1.

16 In response, Staff identified that the Company may be in compliance with
17 following NARUC standards as well as responding timely to customer complaints and
18 information requests from Staff. In addition, Staff listed several other issues that they
19 identified as "potentially not in compliance". See Attachment 2, Staff's Response to
20 Discovery Request – Re: Identification of Regulatory Issues. Setting aside the finance
21 and arsenic issues that the Company identified, the outstanding issues identified by Staff
22 can be summarized as follows:
23

- 24 • Failure to provide the Commission with the executed ADEQ Consent Order;
25

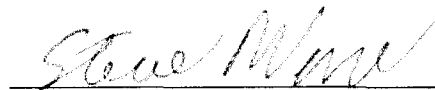
- Failure to resolve the Bacus matter;
- Failure to file any new main extension agreements;
- Failure to resolve the water pressure issue; and
- Lack of documentation demonstrating the Trust and Company funds are not being co-mingled.

See Attachment 2.

The Company will be prepared to address these issues at the hearing.

DATED this 10TH day of January, 2011.

MOYES SELLERS LTD.

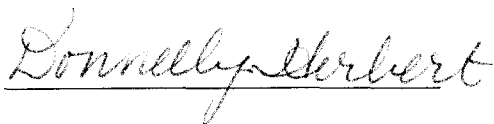


Steve Wene

Attorneys for Truxton Canyon Water Company

Original and 13 copies of the foregoing
filed this 10TH day of January, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007



ATTACHMENT 1

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3 1850 N. Central Ave., Suite 1100
4 Phoenix, Arizona 85004
5 Telephone: 602-604-2141
6 swene@lawms.com
7 Attorneys for Truxton Canyon Water Company

8
9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10 IN THE MATTER OF THE
11 COMMISSION ON ITS OWN MOTION
12 INVESTIGATING THE FAILURE OF
13 TRUXTON CANYON WATER
14 COMPANY TO COMPLY WITH
15 COMMISSION RULES AND
16 REGULATIONS.

DOCKET NO. W-02168A-10-0247

**DISCOVERY REQUEST RE
IDENTIFICATION OF CURRENT
OUTSTANDING REGULATORY
ISSUES**

17 Pursuant to instructions by Administrative Law Judge Kinsey, Truxton Canyon
18 Water Company ("Company"), by and through its attorney undersigned, submits this
19 discovery document identifying what the Company believes are the current violations of
20 Arizona Corporation Commission ("Commission") regulatory rules as follows:

- 21 • The source water pumped from one well which supplies water to the Company
22 exceeds the arsenic MCL (Complaint at ¶ 8).
- 23 • The main extension agreement dispute with Jim Bacus (Complaint at ¶ 27) has not
24 been resolved (the Company has agreed to refund the money to Mr. Bacus on
25 terms requested by Mr. Bacus, but the agreement has not been executed).

TRUXTON CANYON WATER COMPANY

Thursday, December 30, 2010

Account List

Account ID	Description	Type	Running Balance
101	Utility Plant In Service	Fixed Assets	\$1,167,400.00
103	Property Held for Future Use	Fixed Assets	\$0.00
104	Utility Plant Purchased / Sold	Fixed Assets	\$0.00
105	Construction Work in Progress	Income	\$0.00
108	Accum Depr & Amort of Plant	Accumulated Depreciation	(\$307,886.00)
114	Utility Plant Acquisition Adj	Fixed Assets	\$0.00
115	Accum Amort of Acquis Adj	Fixed Assets	\$0.00
121	Nonutility Property	Fixed Assets	\$0.00
122	Accum Depr & Amort of Non Util	Accumulated Depreciation	\$0.00
124	Utility Investments	Fixed Assets	\$0.00
131	MOHAVE STATE BANK	Cash	\$1,544.85
132	NATIONAL BANK	Cash	\$0.00
141	Customer Accounts Receivable	Accounts Receivable	\$4,447.86
143	Accum Provis for Uncollectable	Accounts Receivable	\$0.00
151	Plant Material and Supplies	Inventory	\$0.00
174	Misc Current & Accrued Assets	Other Assets	\$0.00
186	Misc Deferred Debits	Other Assets	\$0.00
190	Accum Deferred Income Taxes	Other Assets	\$0.00
201	Common Stock Issued	Equity-does not close	(\$11,000.00)
204	Preferred Stock Issued	Equity-does not close	\$0.00
211	Other Paid-In Capital	Equity-does not close	\$0.00
215	Retained Earnings	Equity-Retained Earnings	\$450,451.00
218	Proprietary Capital	Equity-does not close	\$0.00
224	Long-Term Debt	Long Term Liabilities	(\$455,826.00)
231	Accounts Payable	Accounts Payable	(\$86,954.40)
232	Notes Payable	Long Term Liabilities	\$0.00
235	Customer Deposits	Other Current Liabilities	\$0.00
236	Accrued Taxes	Other Current Liabilities	\$30,609.04
237	Accrued Interest	Other Current Liabilities	\$0.00
241	Misc Curr & Accru Liabilities	Other Current Liabilities	\$0.00
252	Advances for Construction	Other Current Liabilities	(\$896,796.00)
253	Other Deferred Credits	Other Current Liabilities	\$0.00
255	Accum Def Invest Tax Credits	Other Current Liabilities	\$0.00
265	Misc Operating Reserves	Other Current Liabilities	\$0.00
271	Contributions in Aid Construct	Other Current Liabilities	(\$3,152.00)
272	Accum Amort of Contr in Aid	Other Current Liabilities	\$65,000.00
281	Accum Defer Income Tax - Amort	Other Current Liabilities	\$0.00
282	Accum Def Income Tax - Deprec	Other Current Liabilities	\$0.00
283	Accum Def Income Tax - Other	Other Current Liabilities	\$0.00
301	Organization	Fixed Assets	\$0.00
302	Franchises	Fixed Assets	\$0.00
303	Land and Land Rights	Fixed Assets	\$0.00
304	Structures and Improvements	Fixed Assets	\$0.00
305	Collections & Impounding Reser	Fixed Assets	\$0.00
306	Lake, River & Other Intakes	Fixed Assets	\$0.00
307	Wells & Springs	Fixed Assets	\$0.00
309	Supply Mains	Fixed Assets	\$0.00
310	Power Generation Equipment	Fixed Assets	\$0.00
311	Pumping Equipment	Fixed Assets	\$0.00
320	Water Treatment Equipment	Fixed Assets	\$0.00
330	Distrib Reservoirs & Standpipe	Fixed Assets	\$0.00
331	Transmission & Distrib Mains	Fixed Assets	\$0.00
333	Services	Income	\$0.00
334	Meters & Meter Installations	Income	\$0.00
335	Hydrants	Fixed Assets	\$0.00
336	Backflow Prevent Devices	Fixed Assets	\$0.00

TRUXTON CANYON WATER COMPANY

Thursday, December 30, 2010

Account List

Account ID	Description	Type	Running Balance
339	Other Plant & Misc Equipment	Fixed Assets	\$0.00
340	Office Furniture & Equipment	Fixed Assets	\$0.00
341	Transportation Equipment	Fixed Assets	\$0.00
343	Tools, Shop & Garage Equipment	Fixed Assets	\$0.00
345	Power Operated Equipment	Fixed Assets	\$0.00
348	Other Tangible Plant	Fixed Assets	\$0.00
400	Operating Revenues	Income	\$0.00
401	Operating Expenses	Expenses	\$0.00
403	Depreciation Expenses	Expenses	\$0.00
406	Amortization of Acquisition Adj	Income	\$0.00
407	Amortization Expense - Other	Expenses	\$0.00
408	Taxes Other Than Income	Income	\$2,293.22
409	Income Taxes	Income	\$0.00
409.10	Income Taxes, Operating Income	Income	\$0.00
409.20	Income Taxes, Other Income	Income	\$0.00
410	Prov for Deferred Income Taxes	Income	\$0.00
410.10	Deferred Income Taxes	Income	\$0.00
410.20	Prov Def Inc Taxes, Other Dedu	Income	\$0.00
411	Prov for Def Income Taxes Cred	Income	\$0.00
411.10	Prov Def Income Tax - Credit	Income	\$0.00
411.20	Prov Def Inc Tax- Cred, Othe	Income	\$0.00
412	Investment Tax Credits	Income	\$0.00
412.10	Invest Tax Credits Deferred	Income	\$0.00
412.11	Invest Tax Credits Restored	Income	\$0.00
412.20	Inv Tax Credit - Net Nonutilit	Income	\$0.00
412.30	Inv Tax Credit Restored NonOpe	Income	\$0.00
419	Interest and Dividend Income	Income	\$0.00
420	Allow for Funds during Constr	Income	\$0.00
421	Nonutility Income	Income	\$0.00
426	Misc Nonutility Expenses	Expenses	\$0.00
427	Interest Expense	Expenses	\$0.00
460	Unmetered Water Revenue	Income	\$0.00
460.1	Unmetered Sales to Residential	Income	\$0.00
460.2	Unmetered Sales to Commercial	Income	\$0.00
460.3	Unmetered Sales to Industrial	Income	\$0.00
460.4	Unmetered Sales to Public	Income	\$0.00
460.5	Unmetered Sales to Mutli Fam	Income	\$0.00
460.6	Unmetered Sales - Other	Income	\$0.00
461	Metered Wated Revenue	Income	(\$290,101.75)
461.1	Metered Sales to Residential	Income	\$0.00
461.2	Metered Sales to Commercial	Income	\$0.00
461.3	Metered Sales to Industrial	Income	\$0.00
461.4	Metered Sales to Public	Income	\$0.00
461.5	Metered Sales to Multi Family	Income	\$0.00
462	Fire Protection Revenue	Income	\$0.00
465	Sales to Irrigation Customers	Income	\$0.00
468	Sales for Resale	Income	\$0.00
469	Guaranteed Revenue	Income	\$0.00
474	Other Water Revenues	Income	\$0.00
601	Salaries & Wages - Employees	Expenses	\$0.00
603	Salaries & Wages - Officers	Expenses	\$0.00
604	Employee Pensions & Benefits	Expenses	\$0.00
610	Purchased Water	Expenses	\$68,299.12
615	Purchased Power	Expenses	\$50,074.03
616	Fuel for Power Production	Expenses	\$23,403.80
618	Chemicals	Expenses	\$3,029.09

TRUXTON CANYON WATER COMPANY

Thursday, December 30, 2010

Account List

Account ID	Description	Type	Running Balance
620	Materials & Supplies	Expenses	\$11,347.13
630	Contractual Services - Billing	Expenses	\$121,329.89
631	Contractual Services - Profess	Expenses	\$8,190.39
635	Contractual Services - Testing	Expenses	\$1,330.00
636	Contractual Services - Other	Expenses	\$2,203.97
640	Rents	Expenses	\$2,639.73
650	Transportation Expenses	Expenses	\$20,246.16
655	Insurance Expenses	Expenses	\$3,475.05
665	Regulatory Comission Expenses	Expenses	\$89.00
670	Bad Debt Expense	Expenses	\$0.00
675	Misc Expenses	Expenses	\$14,311.82

ATTACHMENT 2

LEI Charles

BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

GARY PIERCE - Chairman
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP
BRENDA BURNS

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LEGAL DIV.
ARIZ. CORPORATION COMMISSION

2011 JAN -6 P :

ARIZ. CORP. COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE COMMISSION ON
ITS OWN MOTION INVESTIGATING THE
FAILURE OF TRUXTON CANYON WATER
COMPANY TO COMPLY WITH
COMMISSION RULES AND REGULATIONS.

DOCKET NO. W-02168A-10-0247

**STAFF'S RESPONSE TO DISCOVERY
REQUEST - RE: IDENTIFICATION OF
CURRENT OUTSTANDING
REGULATORY ISSUES**

During a telephonic procedural conference on December 23, 2010, Judge Kinsey instructed Truxton Canyon Water Company ("Company" or "Truxton") to provide Staff with a document listing the items the Company believed it had either come into compliance with or is still out of compliance with, and documentation to substantiate it. The Company provided Staff with a Discovery Request on December 30, 2010, which listed three items the Company believes are current violations of the rules and statutes that govern the Arizona Corporation Commission. The Company also provided a three page print out of its Account List. Staff has reviewed the Discovery Request, attached document, and information provided during the course of discovery, and has prepared a list of the rules and statutes Staff believes the Company *may* still be violating.

Staff would note that the Company's current compliance with any statute or rule does not eliminate the allegations in the Order to Show Cause ("OSC") that the Company has violated numerous statutes and rules. Staff appreciates the Company's efforts to mitigate its noncompliance; however Staff continues to assert that violations of these statutes and rules have occurred.

Potentially in current Compliance

- A.R.S. §§40-221, 40-221(C), and A.A.C. R14-2-411(D)(2). The Company has provided Staff with a print out of the Company's Account list.
- A.A.C. R14-2-411(A)(1). Since the filing of the OSC, Staff's Consumer Services has received two ratepayer complaints. To Staff's knowledge, they were resolved in a timely manner.

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KEEP OR DISCARD

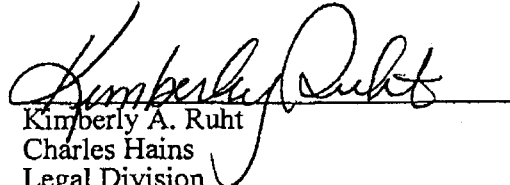
- 1 • A.A.C. R14-2-411(A)(2). Since the filing of the OSC, Staff's Consumer
2 Services has received two ratepayer complaints. To Staff's knowledge, they
3 were resolved in a timely manner.
- 4 • A.R.S. §40-204(A). Staff has only requested information pertaining to the
5 OSC since the filing of the OSC. To Staff's knowledge, the information
6 provided by the Company is accurate.
- 7 • A.R.S. §40-204(B). Since the filing of the OSC, Staff has only requested
8 information pertaining to the OSC.

Potentially Not in Compliance or Staff has not been provided enough information to make a determination.

- 9 • A.R.S. §40-321. The Company has not supplied Staff with a signed Consent
10 Order from ADEQ, demonstrating it is in the processes of becoming
11 compliant with ADEQ.
- 12 • A.A.C. R14-2-407(A). Company admits its wells currently exceed the
13 maximum level of contamination set by the Environmental Protection
14 Agency.
- 15 • A.A.C. R14-2-407(C). The Company has not supplied Staff with a signed
16 Consent Order from ADEQ. Company admits its wells currently exceed the
17 maximum level of contamination set by the Environmental Protection
18 Agency.
- 19 • A.R.S. §40-301(B). Company admits it has not obtained Commission
20 approval for financing/long term debt. To date, Company has not applied for
21 approval.
- 22 • A.R.S. §40-302(A). Company admits it has not obtained Commission
23 approval for financing/long term debt. Company has to date not applied for
24 approval.
- 25 • A.A.C. R14-2-406(M). Company admits it is still in negotiations concerning
26 the Bacus Complaint. The Company has not filed for approval of any
27 previously entered main extension agreements with the Utilities Division. To
28 Staff's knowledge, the Company has not entered into any new main
 extension agreement since the filing of the OSC, because nothing has been
 filed with the Utilities Division for approval.
- A.R.S. §40-202(L). The Company has admitted to exceeding the arsenic
 maximum level of contamination; the company has admitted that it has not
 requested approval for financing; any other violation of a statute or rule.
- A.A.C. R14-2-406(G). Staff has not received any information since the filing
 of the OSC concerning new main extension agreements that the Company
 may or may not have entered into.
- A.A.C. R14-2-207(E). Staff has not received any documentation from the
 Company since the filing of the OSC to determine whether the Company is
 providing a minimum delivery pressure of 20 psi to all customer meter points
 or points of delivery.

- 1 • A.A.C. R14-2-409(D)(1). Staff has not received any information or
2 documentation from the Company since the filing of the OSC to determine
3 whether the Company is or is not currently billing under its tariff in relation
4 to main extension agreements.
- 5 • A.A.C. R14-2-411(D)(1). Staff has not received any documentation or
6 documentary evidence from the Company since the filing of the OSC to
7 determine whether co-mingling between the Company and the Neil Family
8 Trust has ceased.

9 RESPECTFULLY SUBMITTED this 6th day of January, 2011.

10 
11 Kimberly A. Ruht
12 Charles Hains
13 Legal Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007
17 (602) 542-3402

18 Original and thirteen (13) copies
19 of the foregoing filed this
20 6th day of January, 2011, with:

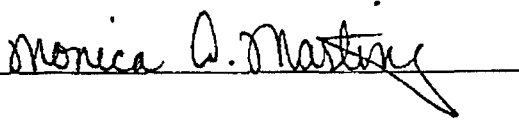
21 Docket Control
22 Arizona Corporation Commission
23 1200 West Washington Street
24 Phoenix, Arizona 85007

25 Copies of the foregoing mailed this
26 6th day of January, 2011, to:

27 Mr. B. Marc Neal
28 7313 East Concho Drive, Suite B
Kingman, Arizona 86401

Steve Wene
Moyes Sellers & Sims
1850 North Central Avenue, Suite 1100
Phoenix, Arizona 85004

Valle Vista Property Owners Association, Inc.
9686 Concho Drive
Kingman, Arizona 86401

26 
27
28

ATTACHMENT A

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Attorneys for Truxton Canyon Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

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DOCKET NO. W-02168A-10-0247

DISCOVERY REQUEST RE IDENTIFICATION OF CURRENT OUTSTANDING REGULATORY ISSUES

Pursuant to instructions by Administrative Law Judge Kinsey, Truxton Canyon Water Company ("Company"), by and through its attorney undersigned, submits this discovery document identifying what the Company believes are the current violations of Arizona Corporation Commission ("Commission") regulatory rules as follows:

- The source water pumped from one well which supplies water to the Company exceeds the arsenic MCL (Complaint at ¶ 8).
- The main extension agreement dispute with Jim Bacus (Complaint at ¶ 27) has not been resolved (the Company has agreed to refund the money to Mr. Bacus on terms requested by Mr. Bacus, but the agreement has not been executed).

- The Company has not obtained Commission approval for financing received from the Trust/Neal family (Complaint at ¶ 20).

As indicated before, the Company has resolved the NARUC compliance issue. The Company provided Staff a chart of accounts informally to Staff, and is now including another copy attached hereto. The Company believes this issue is resolved, but is raising it here so Staff confirms or denies this position.

Pursuant to Judge Kinsey's instructions, Commission Staff shall identify any other current violations that currently exist.

DATED this 30th day of December, 2010.

MOYES SELLERS & SIMS LTD.

Steve Wene
Attorneys for Truxton Canyon Water Company

Original of the foregoing emailed
this 30th day of December, 2010 to:

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Arizona Corporation Commission
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kruht@azcc.gov